

News Release



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U. S. Labor Department Obtains Judgment Requiring Former President of Nashville Leasing Firm to Restore More Than \$46,000 to Health Plan

NASHVILLE, Tenn. -- The U.S. Department of Labor has obtained a consent judgment requiring the former president of Nashville-based Midland Services Inc. to restore \$46,248 to the company's health plan. Midland was a staff-leasing firm that operated a multiple employer welfare arrangement for workers leased to client employers.

The judgment bars David Starkey from any dealings with employee benefit plans and marketing health schemes in the future and appoints an independent fiduciary to administer the plan and distribute assets to eligible participants upon its termination.

"This case shows the department's commitment to ensure that American workers receive all the benefits they are promised," said Howard Marsh, director of the Atlanta regional office of the Employee Benefits Security Administration (EBSA). "The Labor Department will aggressively enforce the law to recover assets so health benefits promised to workers and their families will be delivered."

The Labor Department sued David Starkey for violating the Employee Retirement Income Security Act (ERISA) by receiving \$72,721 in illegal commissions and refunds of plan contributions, which were used for personal benefit rather than to pay participant claims. The defendant allegedly selected a succession of service providers to insure the plan and provide administrative services between 1998 and 2002. In 1999 and 2001, two insurers defaulted on submitted claims.

The plan provided health benefits to approximately 469 participants under a re-insurance arrangement. In 1999, Merrion Reinsurance Company Ltd. failed to pay \$47,372.70 in benefit claims and in 2002, North American Indemnity of Belgium defaulted on \$223,000 in claims.

Midland Services was an employee staff leasing business that provided payroll services, workers compensation services, tax deposits and employee benefits, including health benefits for injury or illness, to client employers.

Since 1990, the Labor Department has conducted more than 700 civil and criminal investigations of health plans affecting 1.9 million participants and their families. These cases involve \$140.5 million in identified violations. Tips on health benefits for small employers may be found at EBSA's web site under <http://www.dol.gov/ebsa/newsroom/fshlthinstips.html>.

The judgment, entered in federal district court in Nashville, resulted from an investigation conducted by EBSA's Atlanta regional office. Employers and workers can reach the Atlanta regional office at (404) 562-2156. Help with problems relating to private-sector retirement and health plans can also be obtained by calling EBSA's toll-free number, 1-866-444-EBSA (3272).

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(Chao v. Starkey)
Civil Action No. 3:05-0014

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